

CALIFORNIA ECONOMIC STRATEGY PANEL

AGENDA

March 13, 2003
9:30 A.M. – 12:30 P.M.

Governor's Council Room
State Capitol
Sacramento, CA 95814
(916) 445-2841

9:30 Welcome

Kari Dohn, Policy Director
Governor Gray Davis

9:35 Introduction and Purpose

Lon S. Hatamiya, Chair and Secretary
California Technology, Trade and Commerce Agency

9:40 Briefing of Panel Activities

- Co-Host with the California Chamber of Commerce and Foundation for Commerce and Education a “California Economic Forum” in October, 2003

Doug Gordon, Vice President
California Foundation for Commerce and Education

- California Commission on Tax Policy in the New Economy

Sunne Wright McPeak, Panel Member

- Senate Select Committee on Economic Development/Accountability for State Investments in Economic Development

Senator Vasconcellos, Panel Member

10:30 Discussion of Longer-term Actions in *Creating A Shared California Economic Strategy: A Call to Action* and Next Steps

- “Real Time” Economic Data and Information

Jeri Neuman, Panel Member

Doug Henton, President
Collaborative Economics, Inc.

- Connect Workforce Development and Economic Development and Focus on Regions and Industrial Clusters

Bill Simmons, Panel Member

- Infrastructure Investment Focused on the Triple Bottom Line that Achieves Economic, Environmental and Equity Payoffs

General Discussion

- Create a California Economic Leadership Network

General Discussion

12:00 Public Comments

12:30 Adjourn

CALIFORNIA ECONOMIC STRATEGY PANEL

Summary of the March 13, 2003 Meeting

Background

The California Economic Strategy Panel meeting marked the beginning of the next biennial strategic planning cycle. The Panel's report, *Creating A Shared California Economic Strategy: A Call to Action* provides the framework for the January, 2003 through December 2004 work plan.

The following provides a summary of the Panel's actions and discussion during the March 13, 2003 meeting.

Summary of Panel Actions

The following is a summary of actions taken by the Panel.

- Staff was directed to work with the Governor's Office of Planning and Research to insure the Panel's involvement in the development of the *Environmental Goals and Policy Report* (EGPR), due in December, 2003.
- The California Economic Strategy Panel will co-host with the California Chamber of Commerce and the California Foundation for Commerce and Education a "California Economic Forum" on October 23-24, 2003 in the Silicon Valley to discuss and share ideas about the California economy and long-term outlook.
- Sunne Wright McPeak will represent the Panel on the Commission on Taxation in the New Economy. A subcommittee, including Panel Members McPeak, Bill Simmons and Jerry Neuman, was formed to develop a written testimony for an Interim Report being developed by the Commission prior to the "May Budget Revision."
- Senator John Vasconcellos directed staff to develop guiding principles and criteria for state government investment in economic development for the Panel and the efforts of the Senate Select Committee on Economic Development and Accountability.
- The "California Regional Economies Project" was launched to, in part, meet the Panel's longer-term actions to provide real-time economic data and information and to connect workforce development and economic development with a focus on regions and industrial clusters. The project is funded by the California Workforce Investment Board through an Interagency Agreement with the

California Technology, Trade and Commerce Agency. Panel Members Donald Fowler, Jerry Neuman and Bill Simmons agreed to serve on a Joint Committee with Board Members Larry Gottlieb, Kathleen Mines and James Crettol to oversee the progress of the project.

- Bill Simmons will represent the Panel on the California Workforce Investment Board.
- Staff was directed to develop a “Calendar of Events” of activities that are related to the work of the Panel and opportunities for Panel member involvement.
- The Panel agreed to work with regional organizations to build an economic leadership network.

Summary of Panel Discussion

The following is a summary of the discussion during the Panel meeting. In the absence of Secretary Hatamiya, Senator Vasconcellos convened the meeting and challenged the Panel to be active and help the State find its way back to sustained growth and leadership in economic development.

Tal Finney, Acting Director of the Governor’s Office of Planning and Research (OPR) welcomed the Panel and commended the members for *Creating A Shared California Economic Strategy: A Call to Action*. Director Finney stated that the Panel’s report is very timely and relevant and can be applied in a number of efforts the Administration is involved in, including:

- the preparation of the State’s *Environmental Goals and Policy Report* (EGPR), due in December, 2003. Consistent with the Panel’s recommendation, the report considers state policy that requires agencies to achieve economic, environmental and equity goals. Staff was directed to work with OPR in this effort;
- developing the *Five-Year Capital Outlay Plan* with the Department of Finance;
- reviewing CEQA guidelines with the Resources Agency; and,
- developing new General Plan Guidelines and LAFCO guidelines with OPR to provide guidance to local governments for a new era of comprehensive planning.

There was general discussion on:

- the need to set clear principles and goals for the State’s investments in economic development as well as accountability of the performance of the investments;

- the potential for housing production to be a stimulant for economic recovery through smart growth strategies; and,
- dealing with infrastructure bonding authority and timing issues to accelerate investments.

Director Finney discussed efforts to accelerate the growth of the Life Sciences/Biotechnology Industry including:

- working with the University of California system to streamline technology transfer;
- working with the California Employment Development Department (EDD) to address workforce needs;
- conducting Life Sciences/Biotechnology Summits in the Los Angeles/Orange County/Inland Empire, San Diego San Joaquin Valley regions; and,
- replicating innovative state and regional models, such the Bay Area's Community Capital Investment Initiative, and directing state resources to support start-up companies.

Panel members expressed interest in attending the regional forums.

Co-Host With the California Chamber of Commerce and the California Foundation for Commerce and Education the "California Economic Forum" on October 23-24, 2003

Doug Gordon, Vice-President, of the California Foundation for Commerce and Education acknowledged the Panel's report *Creating A Shared California Economic Strategy: A Call to Action* as a very usable and practical document.

Mr. Gordon invited the Panel to co-host, along with the Foundation and the California Chamber of Commerce, a "California Economic Forum" on October 23-24, 2003 in the Silicon Valley. The Forum will include key business leaders, economists, public officials, and others to discuss and share ideas about the California economy and long-term outlook. The Panel agreed to co-host the forum.

California Commission on Taxation in the New Economy

Sunne Wright McPeak agreed to represent the Panel as a non-voting member on the California Commission on Taxation in the New Economy. At the request of Governor Davis, the Commission recently expanded its work from alignment of tax policy to the new economy to the consideration of structural reform of current state revenue and state/local fiscal relationship policies. The Commission is required to complete an

Interim Report for the “May Budget Revision.” Panel members McPeak, Bill Simmons and Jerry Neuman agreed to serve as a subcommittee and work with staff to prepare written testimony for the Interim Report. The testimony will reference the Panel’s four cornerstones of the California economy and principles for consideration for reform, based on an economic perspective outlined in *Creating A Shared California Economic Strategy: A Call to Action*.

Some questions and issues the subcommittee was asked to consider include:

- what kinds of economic activity generate stable, reliable and appropriate revenue streams for reinvestment;
- what is a reliable mix of state revenues and what is the relationship with local government;
- is there a new, old or just different economy; and,
- what are the structural changes and real dynamics in the economy beyond net jobs?

The Commission is required to submit a final report in January, 2004.

Sally Covington stated that the California Labor Federation is preparing a paper on tax policy and reform and will provide a copy to the Panel.

Senate Select Committee on Economic Development/Accountability for State Investments in Economic Development

Senator Vasconcellos provided an update on SB 527, to establish in state government an Economic Development Accountability Task Force. The bill would require the Task Force to develop outcome indicators for use in the annual budget and legislative processes to evaluate policies, programs, and tax expenditures intended to stimulate the economy. The process would use the statement of economic goals as specified by the Panel’s biennial economic development strategic plans. Senator Vasconcellos directed staff to develop guiding principles and criteria for state government investment in economic development.

“Real Time” Economic Data and Information

Jerry Neuman and Doug Henton introduced the “California Regional Economies Project.” The project, in part, meets the Panel’s longer-term actions to provide real-time economic data and information and to connect workforce development and economic development with a focus on regions and industrial clusters. The “California Regional Economies Project” is funded by the California Workforce Investment Board (CalWIB)

through an Interagency Agreement with the California Technology, Trade and Commerce Agency.

Jerry Neuman, Donald Fowler and Bill Simmons agreed to serve on a Joint Committee with CalWIB Members Larry Gotlieb, Kathleen Milnes and James Crettol to oversee the progress of the project. Jerry Neuman stated that the Panel is committed to strategic partnerships and a strong outreach and feedback process with a wide range of users in carrying out this project.

There was discussion that the “California Regional Economies Project” should:

- institutionalize a process of continual engagement with the user community, and drive public policy and change through better economic data and information;
- reach across issues, regions and industry clusters, and be strategic and efficient in building on what is already going on locally;
- hold forums based on annual reports and co-convened by the Panel and the CalWIB; and,
- support Local Workforce Investment Boards and One-Stops, Economic Development Corporations (EDCs), the network of 21 Collaborative Regional Initiatives and local governments in accessing and using economic data and information.

Connect Workforce Development and Economic Development and Focus on Regions and Industrial Clusters

Bill Simmons agreed to serve as an ex-officio member of the CalWIB. Mr. Simmons stated that the “California Regional Economies Project” provides a vehicle for additional alliances

Sally Covington, who recently testified at the Assembly Committee on the Economy and Jobs, raised concerns about uneven job growth and the growth of the low-wage labor market. An estimated twenty-five to thirty-five percent of jobs created in the past ten years have been lower wage jobs. Ms. Covington expressed the need to create mid-level wage jobs to provide opportunities for people to move up. She expressed concern that One-Stop Centers are training for low-wage jobs and recommended using the Governor’s Discretionary funds for training consortia for better skills training and upgrading.

Sunne Wright McPeak suggested the Panel work with Cal WIB members Art Pulaski and Bob Balgorth to address a variety of workforce issues including:

- actual job loss in the U.S.;

- impact of recent economic restructuring;
- whether the percentage of entry-level, lower-wage jobs created has been increasing and what is this share compared to total jobs; and,
- whether the issue is entry-level jobs or quality of jobs overall.

Other workforce issues included:

- extent of manufacturing job loss out of the U.S.;
- incentives, i.e. credits, to help with jobs in areas such as the San Joaquin Valley;
- jobs/housing balance;
- nothing intrinsic to manufacturing that says it's better paying than other jobs; other jobs could pay well with benefits; and,
- tax-based incentives should have quality standards attached that can be an appropriate lever for job creation, but not a tax give-away.

Infrastructure Investment Focused on the Triple Bottom Line that Achieves Economic, Environmental and Equity Payoffs

There was general discussion regarding infrastructure investment including:

- use economic criteria to weigh value of infrastructure projects;
- develop economic criteria for the *Environmental Goals and Policy Report*;
- good mid-level jobs will continue to move out of the country, but effort should be made to retain them in second/third tier rural areas with the right infrastructure, especially telecommunications;
- evaluate the California Infrastructure and Economic Development Bank criteria that result in disadvantages for projects in rural areas; and,
- need for State government to be aggressive in infrastructure investment, especially in housing, transportation and broadband.

The Panel's Infrastructure Policy Committee will convene meetings to address these issues.

Create a California Economic Leadership Network

The Panel agreed to work with regional organizations to build an economic leadership network. The Panel will engage regional organizations through a series of conferences, attendance by Panel Members at regional events and internet interaction. An annual event was proposed to culminate activities towards building an economic leadership network.

Public Comments

Paul Saldana, President and CEO of Tulare County Economic Development Corporation, commented on the importance of recognizing the work of local EDCs. As a member of a local WIB, Mr. Saldana stated that the partnership with the CalWIB is also important. In regards to the “California Regional Economies Project,” Mr. Saldana stated that local EDCs would be primary users and many have developed industry cluster strategies, including the agricultural sector. He also stated that the Central Valley is seeing more interest as an alternative manufacturing, not just distribution, location and that most communities have embraced policies for smart growth and protecting agriculture.

Wayne Schell, President and CEO of the California Association for Local Economic Development (CALED), commented on his support for an economic forum. Mr. Schell stated that many local economic development practitioners feel that the Technology, Trade and Commerce Agency and the Panel have lost credibility. They are concerned about budget proposals for the Agency and, while they support the need for a state strategy, involvement in the Panel’s work has been limited because they question its relevance. He stated that some CALED members criticized the inclusion of the California Works Foundation letter in the Panel’s report. Jerry Neuman responded that the Panel made a conscious decision to include the letter to capture all views and stated that the report is a “call to action” to everyone. Mr. Neuman stated that the EDCs need to participate and that the Panel is willing to go to their activities. Mr. Neuman asked how the Panel can contribute to the upcoming CALED Annual Conference. Mr. Schell responded that he will try to provide a forum for the Panel. Sunne Wright McPeak welcomed CALED’s input on reports and legislative bills related to economic development as well as formulation of agendas for the Panel. Mr. Simmons noted that the State needs to invest in economic development, that there is no one agency accountable, and it needs an entity such as the Panel to drive the process.

Nick Bollman commented on the California Center for Regional Leadership’s 2003 Civic Entrepreneur Summit in early June. Mr. Bollman discussed the possibility of a session on the Panel’s work and the members considered a concurrent Panel meeting.